

## TRIGON

Thomas G. Snead, Jr.  
Chairman of the Board and  
Chief Executive Officer

March 15, 2001

### CONFIDENTIAL

Credit Suisse First Boston Corporation  
Eleven Madison Avenue, 23<sup>rd</sup> Floor  
New York, NY 10010-3629

Atten: Mr. Benjamin C. Adams  
cc: Mr. Larry Lavine

Dear Mr. Adams:

Trigon is pleased to submit this letter to clarify our proposal of March 2, 2001. These clarifications reflect our commitment to working with CareFirst in partnership, and developing together a stronger regional platform for serving our members and uniting our neighboring Blues. We recognize that many of these points are interactive as to their effect on the economics of the transaction. We are eager to sit down with the CareFirst team, together as reasonable business people, to work through the details of a package that meets our mutual objectives.

This merger is a watershed event for both of our organizations, and we believe that CareFirst is as committed to this partnership as we are. While this competitive bidding process was designed to establish fair market value today, we recognize that circumstances and market conditions may change before the closing date. We are eager to explore options that give you confidence that you can execute your fiduciary responsibilities throughout the process, while ensuring that we are not economically disadvantaged by our commitment to this partnership. We would propose that the options to be explored include the following:

- CareFirst's agreement not to solicit other proposals after accepting ours, and to grant us
  - The ability to match any unsolicited proposal deemed substantially superior
  - A 4% break up fee
  - Reimbursement of the extraordinary expenses included in this transaction in the event the transaction terminates due to no fault of Trigon

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We also believe that you are as committed as we are to building a stable, thriving platform for our region. Clearly neither of us, nor our regulators, would want to pursue this transaction if market conditions change and considerably weaken the ability of our firms, in partnership, to serve our policyholders securely. With our two companies bound closely together prior to the closing date, Trigon's stock will reflect a combination of CareFirst and Trigon performance, as well as the market conditions we will face together. As is necessary in these unusual transactions, we are establishing value today while there is yet substantial time and uncertainty before closing. We would therefore propose that the stock portion of the consideration not exceed 11.5 million shares of Trigon stock. Under this arrangement, Trigon would absorb the risk of the first 20% decline in valuation. Beyond this first 20%, we would like to explore with you mechanisms through which we both would participate in the risks to which our industry and markets are exposed, or alternatively, a lower valuation at which either of us could terminate the transaction.

Our initial proposal included customary language to address material changes to the business between the signing of an agreement and the closing date. Our intent was to address circumstances that would imperil our combined ability to build a successful regional platform and deliver benefits to our constituents. You have shared with us the CareFirst forecast, which shows a substantial improvement in performance. Our sense of value has been significantly influenced by this forecast and the confidence of the CareFirst team in their ability to achieve it. We would propose a definition of a material adverse change that includes additional language to reflect the importance of CareFirst's performance improvement and suggests that CareFirst will substantially attain the forecast you have shared with us.

Trigon is able to finance the transaction under today's market conditions, and it is our intention to have financing in place prior to final regulatory approval. Market conditions can and do change, however, and given the unusually long time before closing, Trigon would be exposed to unpredictable markets for an unacceptably long period. Therefore, to accommodate CareFirst's needs, we are willing to drop the financing condition to close, but as an offset, we would request the ability to reduce (at closing) the cash component of our payment and substitute a note on a dollar-for-dollar basis for up to half of the value of the cash component. The note would be designed as a financing of last resort and would have an interest rate structure that increases over time, creating an incentive for Trigon to refinance the note as soon as markets stabilize. We would also be happy to discuss other proposals you would like to consider.

We are prepared to pursue this Proposal aggressively and look forward to hearing from you in the coming week. Please contact David M. Platter, Senior Managing Director of Bear, Stearns, Inc. at (212) 272-7720, John M. Venezia, Senior Managing Director at (212) 272-2375, or Timothy P. Nolan, Senior Vice President of Trigon at (804) 354-3173 to discuss the details of our Proposal.

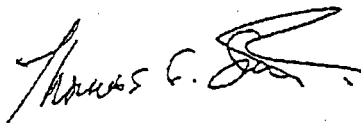
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The proposed transaction is also subject to certain other customary items being satisfied prior to consummating a transaction, including confirmatory due diligence, the negotiation and execution of a definitive purchase agreement and related documents and receipt of required Board, shareholder, and regulatory approvals.

Trigon reserves the right in its sole discretion to withdraw from discussions regarding the proposed transaction. Nothing in this letter should be deemed a binding agreement or an offer to purchase CareFirst. The terms of this Proposal are confidential and are subject to the confidentiality agreement dated September 21, 2000, between Trigon and CareFirst.

We appreciate your consideration of our interest. If you have any questions, please feel free to contact Tim Nolan or any of our advisors.

Sincerely,



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